MARICOPA COUNTY SELF-INSURED BENEFITS TRUST

BOARD OF TRUSTEES MEETING

301 W. Jefferson Street
Board of Supervisor's Conference Room, 10th Floor
Maricopa County Administration Building
Tuesday, May 21, 2013
Meeting Time: 11:00 a.m.

MINUTES

TRUSTEES PRESENT: Brad Arnett, Beverly Dupree, Dan Robledo (Telephonically)

TRUSTEES ABSENT: Susan Strickler, Jim Steinkamp

STAFF PRESENT: Meg Blankenship, Christopher Bradley, Dave Hansen,

Christine Stutz, MaryEllen Sheppard, Curtia Hunter-Richard

GUESTS: Wes Baysinger, Otis Smith, Steve Dahle, Tawn Austin

Curtia Hunter-Richard distributed a presentation folder to each Trustee and Staff present. The folder included the meeting agenda, March 4, 2013 meeting minutes, March 19, 2013 meeting minutes, financial statements and the Waisting Away Program recommendation.

The meeting was called to order by Trustee Arnett (acting Chairperson in the absence of Chairperson Strickler) at 11:30 A.M. A quorum was present.

Approval of Last Month's Meeting Minutes

Trustee Arnett called for the approval of the March 19, 2013 meeting minutes. No changes were identified. The motion to approve the minutes was made by Trustee Dupree and seconded by Trustee Robledo. The March 19, 2013 minutes were unanimously approved.

Approval of the March 4, 2013 meeting minutes will be tabled until the June 27, 2013 meeting agenda.

Presentation and Discussion: Review of Financial Statements

Dave Hansen presented a review of the current assets and liabilities related to the Employee Benefits Trust Fund as reflected in the following financial reports:

- Statements of Revenues, Expenses, and Changes in Net Assets YTD as of April 30, 2013
- Statements of Net Assets April 30, 2013, April 30, 2012, June 30, 2011, and June 30, 2010
- o Fund Balance Roll-Forward Ten Months Ended April 30, 2013
- Balance Sheet Details April 30, 2013, April 30, 2013, June 30, 2011 and June 30, 2010
- Notes to Financial Statements April 2013

The YTD change in net assets for ten months ended April 30, 2013 and reflects a YTD margin for the Trust of \$4,518,157. This favorable trend is mainly due to lower than expected claims.

As of April 30, 2013, cash and cash equivalents were \$61,461,483 as compared to those of June 30, 2012 of \$60,636,639; a \$824,844 improvement. This improvement in cash balances does not track with the YTD margin of \$4,518,157. One reason for the difference is due to a benefit premium-free pay period that occurred in April. There are 26 pay periods in a year. Benefit deductions are taken from employee paychecks only 24 times a year. The timing effect of this latest benefit premium-free period suppresses cash levels now, but the cash levels will gradually increase until the next benefit premium-free period in six months. Another reason for the increase in cash levels being lower than the operating margin is due to the cash levels that have been transferred to the Cigna outside bank accounts for payment of medical claims. These amounts are shown in the prepaid insurance balance sheet account.

The question by Trustee Arnett in reference to the difference between the \$4.5 million YTD change in net assets and operating margin was addressed during the financial status update. There is an additional impact on the operating margin due to the reduction in accrued liabilities between June 30, 2012 and April 30, 2013. Liabilities have decreased mainly due to lower claims costs that are currently being paid as compared to those during the June 30th 2012 period.

The request by Trustee Dupree to include a written summary with the financial statements was agreed upon by the County.

Presentation and Discussion – Fiscal Year 2014 Budget Update

Chris Bradley presented an update on the status of the FY 2014 Budget for the County and the potential impact on the Trust. On May 20, 2013 the County Board of Supervisors tentatively adopted the budget for FY 2014; which is the start of a 4-5 week public comment period to be followed by the final adoption of the budget on June 24th. As required to address budget issues, the County benefits staff will establish a mechanism to accomplish the goals of having no benefit premium increases on the employer side, the planned reduction of the reserve levels, and making minimum changes to the health and wellness benefit programs and rates.

The question by Trustee Arnett in reference to the Trust Fund minimum reserve levels was addressed and clarified. The County forecasted the reserve levels for year-end June 30th to be \$39.5million for the Health and Wellness benefit plans; which excludes Short-Term Disability, an entirely employee-funded plan.

The question by Trustee Dupree in reference to the finalization of the plan to reduce the reserve levels was addressed and clarified. Since the year-end financial review and audit occur during the first quarter of FY14, it is anticipated that the plans to reduce the reserve levels will be finalized within the 2nd quarter of the plan year and implemented prior to June 30, 2014.

Presentation: Waisting Away Program Fee Reimbursement

Meg Blankenship asked the Trustees to support the recommendation to increase the reimbursement fee for the Waisting Away Program from \$120 to \$130, and to recommend approval by the Board of Supervisors.

The question by Trustee Arnett in reference to the participation level of the Waisting Away Program was addressed and clarified. The Waisting Away Program is considered a successful wellness program that averages 150 participants throughout the plan year. Participants are incentivized to attend at least 8 out of 10 meetings as administered by Weight Watchers and lose a minimum of 10 pounds. In addition to positive employee comments about the program, the County wellness program has the benefit of a well-

structured program that targets a specific area of health concern for the benefits-eligible population.

The motion to support the recommendation was made by Trustee Dupree and seconded by Trustee Robledo. The motion was unanimously approved.

Presentation and Discussion – Roles and Responsibilities of the Board of Trustees

Chief Procurement Officer Wes Baysinger distributed the "Contracting for Employee Benefits" document and presented details of the County's procurement process specifically in support of employee benefits vendors and contracts. Mr. Baysinger identified the opportunities in the process where Trustees could choose to impact the process of vendor selection and contract renewal.

A request was made by Trustee Arnett to ensure that Chairperson Strickler receives a copy of the presentation. Meg Blankenship agreed to send her a copy.

The questions by Trustee Arnett in reference to the customary practices used to initiate the procurement process for benefits were addressed and clarified. The County has designated Mr. Steve Dahle to work specifically with the benefits administration staff on issues regarding benefits vendors and contracts. Mr. Dahle keeps track of the contract renewal schedule and prompts the staff to work on the specific contracts as they come up for renewal. However, there are other instances when contracts are initiated by the benefits administration staff, for example the claims audit contract.

The question by Trustee Arnett in reference to the opportunity for the Trustees to review and analyze an existing contract prior to initiating the procurement process was addressed and clarified. Information the County or Trustees would like to see changed in an existing contract or any RFP needs to be included in the new Scope of Services.

The question by Trustee Dupree in reference to the opportunity to impact a change of vendor was addressed and clarified. It was recommended that input by Trustees be included in the development of the Scope of Work. If a vendor is not performing up to expectations, the County would take contractual action to bring the vendor into compliance or to end the contract. Contractual remedy is a standard operating procedure as the County has an obligation to get what is being paid for in services with any vendor.

The question by Trustee Dupree in reference to the duration of contracts for benefits vendors was addressed and clarified. Though there is not a requirement for a 3 year contract with a 3 year renewal, it is more a practical consideration to have multi-year contracts for benefits since there is a long lead time to transition to a new vendor for new services. The Benefits Manager meets with vendors weekly, and some monthly, to address any service issues that occur. It was also noted that 94% of employees are satisfied with their benefits according to the recent benefit survey. Consequently, any change that would cause a disruption of service to employees and their dependents is carefully considered.

The question by Trustee Robledo in reference to opportunities for Trustees to have more input in the benefits procurement process was addressed and clarified. Mr. Baysinger presented the specific opportunities and restrictions the Trustees would have in the procurement process as reflected on page 8-9 of the document "Contracting for Employee Benefits".

Discussion ensued on the issue of vendor selection, contract procurement and concerns Trustees may have regarding their role and responsibilities to the Trust. The recommendation was made by Trustee Arnett and agreed upon by all present to table the issue and discussion until Chairperson Strickler is available for further review and/or discussion.

Presentation and Discussion – Review of the Cigna Contract

Steve Dahle, Strategic Procurement Consultant for the County, provided an overview of the Cigna contract for health benefits and services as it pertains to negotiation of renewal. The procurement of the health and benefits services contract begins 18 months prior to renewal and is initiated with an in-depth review of the current contract by the benefits administration staff. This review process addresses any changes to the Scope of Service, and strategic recommended changes in services. During the RFP, there is an evaluation process followed by the final negotiation stage. The Cigna contract consists of a standard legal document along with Exhibit A for pricing and Exhibit B for services.

Discussion on the time commitment and complications of changing health benefits and services ensued. The County identified that change is possible by following the appropriate procurement process and consideration of the effect of change on employees. This topic may warrant further discussion at a future date.

Call to Public

Trustee Arnett made a Call to the Public. No one from the public was present.

Next Meeting

Due to schedule conflicts, Meg Blankenship asked the Board of Trustees to consider meeting on June 27th and this was agreed to by all present. The next scheduled meeting is Thursday, June 27, 2013 from 11am to 12 noon.

Meg Blankenship also requested that the Board of Trustees be available for a brief meeting, if necessary, in the near future due to a pending settlement.

Attorney Christine Stutz introduced Tawn Austin. Either Tawn or Brandon Newton will serve as Christine's temporary replacement at the BOT meetings during her absence.

Motion to Adjourn

Trustee Arnett called for a motion to adjourn. The motion to adjourn was made by Trustee Dupree and seconded by Trustee Robledo. The motion passed unanimously.

The meeting was adjourned at 12:50 P.M.